

State: Arkansas **First Filing Company:** Liberty Mutual Fire Insurance Company, ...
TOI/Sub-TOI: 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations
Product Name: PL Legacy Homeowner
Project Name/Number: /15-AR-P-HO-RR-LEG-LVL1

Filing at a Glance

Companies: Liberty Mutual Fire Insurance Company
 The First Liberty Insurance Corporation
Product Name: PL Legacy Homeowner
State: Arkansas
TOI: 04.0 Homeowners
Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations
Filing Type: Rate/Rule
Date Submitted: 12/11/2014
SERFF Tr Num: LBPM-129821783
SERFF Status: Closed-Filed
State Tr Num:
State Status:
Co Tr Num: 15-AR-P-HO-RR-LEG-LVL1

Effective Date 02/21/2015
Requested (New):
Effective Date 03/28/2015
Requested (Renewal):
Author(s): Darren Demmon
Reviewer(s): Becky Harrington (primary)
Disposition Date: 12/15/2014
Disposition Status: Filed
Effective Date (New): 02/21/2015
Effective Date (Renewal): 03/28/2015

State Filing Description:

State: Arkansas First Filing Company: Liberty Mutual Fire Insurance Company, ...
 TOI/Sub-TOI: 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations
 Product Name: PL Legacy Homeowner
 Project Name/Number: /15-AR-P-HO-RR-LEG-LVL1

General Information

Project Name: Status of Filing in Domicile: Not Filed
 Project Number: 15-AR-P-HO-RR-LEG-LVL1 Domicile Status Comments: Rate updates are state specific.
 Reference Organization: N/A Reference Number: N/A
 Reference Title: N/A Advisory Org. Circular: N/A
 Filing Status Changed: 12/15/2014
 State Status Changed: Deemer Date:
 Created By: Darren Demmon Submitted By: Darren Demmon
 Corresponding Filing Tracking Number:

Filing Description:

In accordance with applicable "File & Use" provisions, Liberty Mutual Fire Insurance Company (LMFIC) and The First Liberty Insurance Corporation (TFLIC) respectfully submit the following revisions to their Homeowner Rating Program.

Please see the attached cover letter for additional information.

Company and Contact

Filing Contact Information

Darren Demmon, Compliance Analyst II Darren.Demmon@LibertyMutual.com
 Safeco Plaza 1001 4th Ave 425-943-6215 [Phone]
 Seattle, WA 98154

Filing Company Information

Liberty Mutual Fire Insurance Company	CoCode: 23035	State of Domicile: Wisconsin
175 Berkeley Street	Group Code: 111	Company Type:
Boston, MA 02116	Group Name: Liberty Mutual Group	State ID Number:
(617) 357-9500 ext. [Phone]	FEIN Number: 04-1924000	

The First Liberty Insurance Corporation	CoCode: 33588	State of Domicile: Illinois
175 Berkeley Street	Group Code: 111	Company Type:
Boston, MA 02116	Group Name: Liberty Mutual Group	State ID Number:
(617) 357-9500 ext. [Phone]	FEIN Number: 04-3058503	

Filing Fees

Fee Required? Yes
 Fee Amount: \$100.00
 Retaliatory? No
 Fee Explanation: Rate/loss cost—changes to loss cost multiplier or independent rate filing \$100
 Per Company: No

Company	Amount	Date Processed	Transaction #
Liberty Mutual Fire Insurance Company	\$100.00	12/11/2014	90186384

SERFF Tracking #:

LBPM-129821783

State Tracking #:

Company Tracking #:

15-AR-P-HO-RR-LEG-LVL1

State:

Arkansas

First Filing Company:

Liberty Mutual Fire Insurance Company, ...

TOI/Sub-TOI:

04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations

Product Name:

PL Legacy Homeowner

Project Name/Number:

/15-AR-P-HO-RR-LEG-LVL1

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	12/15/2014	12/15/2014

State: Arkansas
TOI/Sub-TOI: 04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations
Product Name: PL Legacy Homeowner
Project Name/Number: /15-AR-P-HO-RR-LEG-LVL1

First Filing Company: Liberty Mutual Fire Insurance Company, ...

Disposition

Disposition Date: 12/15/2014
 Effective Date (New): 02/21/2015
 Effective Date (Renewal): 03/28/2015
 Status: Filed

Comment:

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Liberty Mutual Fire Insurance Company	19.500%	5.910%	\$569,245	7,732	\$9,626,210	11.100%	0.000%
The First Liberty Insurance Corporation	19.500%	5.910%	\$0	0	\$0	0.000%	0.000%

Overall Rate Information for Multiple Company Filings

Overall Percentage Rate Indicated For This Filing 28.400%
Overall Percentage Rate Impact For This Filing 5.910%
Effect of Rate Filing-Written Premium Change For This Program \$569,245
Effect of Rate Filing - Number of Policyholders Affected 7,732

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Form RF-2 Loss Costs Only (not for workers' compensation)		Yes
Supporting Document	H-1 Homeowners Abstract	Filed	Yes
Supporting Document	HPCS-Homeowners Premium Comparison Survey	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	Cover Letter	Filed	Yes
Supporting Document	Actuarial Justification	Filed	Yes
Rate	Rating Manual	Filed	Yes
Rate	Rating Manual	Filed	Yes
Rate	Rating Manual	Filed	Yes

SERFF Tracking #:

LBPM-129821783

State Tracking #:**Company Tracking #:**

15-AR-P-HO-RR-LEG-LVL1

State:

Arkansas

First Filing Company:

Liberty Mutual Fire Insurance Company, ...

TOI/Sub-TOI:

04.0 Homeowners/04.0000 Homeowners Sub-TOI Combinations

Product Name:

PL Legacy Homeowner

Project Name/Number:

/15-AR-P-HO-RR-LEG-LVL1

Rate Information

Rate data applies to filing.

Filing Method:

File and use

Rate Change Type:

Increase

Overall Percentage of Last Rate Revision:

12.170%

Effective Date of Last Rate Revision:

02/21/2014

Filing Method of Last Filing:

File and use

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Liberty Mutual Fire Insurance Company	19.500%	5.910%	\$569,245	7,732	\$9,626,210	11.100%	0.000%
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Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1	Filed 12/15/2014	Rating Manual	R-1	Replacement		R-1 Final.pdf R-1 Mock.pdf
2	Filed 12/15/2014	Rating Manual	R-2	Replacement		R-2 Final.pdf R-2 Mock.pdf
3	Filed 12/15/2014	Rating Manual	R-7	Replacement		R-7 Final.pdf R-7 Mock.pdf

Arkansas
Homeowners Rating Manual

Homeowner Base Rates			
Dwelling Territory	H3	H4	H6
031	4038	511	592
032	3887	511	592
033	3214	511	592
034	4229	511	592
035	3468	511	592
036	3121	511	592
081	2813	511	592
084	3938	511	592
086	4031	511	592
097	4460	511	592
098	4031	511	592

Row or Town House			
Protection Class	# of Units		
	1-2	3-4	5-8
1-8	1.00	1.10	1.25
9-10	1.00	1.15	1.30

Construction/Occupancy Charge			
Number Apts/ Firewalls	Construction		
	Frame	Masonry	Superior
4	1.00	1.00	1.00
9999999	1.35	1.35	1.00

*For all Condo policies. Only for Tenant policies with a quote effective date prior to 6/17/13

Excess Dwelling	
Rate	
	5

Form Factor	
Form Type	Factor
H2	.95
H3	1.00

Construction/Occupancy Charge			
Number Apts/ Firewalls	Construction		
	Frame	Masonry	Superior
4	1.00	1.00	1.00
9999999	1.35	1.35	1.35

*For Tenant policies with a quote effective date 6/17/13 and after

Arkansas

Homeowners Rating Manual

Homeowner Base Rates			
Dwelling Territory	H3	H4	H6
031	3934	482	558
032	3787	482	558
033	3131	482	558
034	4120	482	558
035	3378	482	558
036	3040	482	558
081	2740	482	558
084	3836	482	558
086	3927	482	558
097	4345	482	558
098	3927	482	558

Proposed Homeowner Base Rates			
Dwelling Territory	H3	H4	H6
031	4038	511	592
032	3887	511	592
033	3214	511	592
034	4229	511	592
035	3468	511	592
036	3121	511	592
081	2813	511	592
084	3938	511	592
086	4031	511	592
097	4460	511	592
098	4031	511	592

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Number Apts/ Firewalls	Construction		
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4	1.00	1.00	1.00
9999999	1.35	1.35	1.35

*For Tenant policies with a quote effective date 6/17/13 and after

Excess Dwelling	
Rate	5

Form Factor	
Form Type	Factor
H2	.95
H3	1.00

Arkansas
Homeowners Rating Manual

Curve Forms - H2 & H3

Curve - Forms H2 & H3	
Dwelling Amount	Factor
5000	0.465
15000	0.514
25000	0.563
35000	0.603
45000	0.633
50000	0.649
55000	0.678
60000	0.707
65000	0.737
70000	0.765
75000	0.815
80000	0.865
85000	0.917
90000	0.968
95000	1.005
100000	1.034
105000	1.070
110000	1.121
115000	1.173
120000	1.223
125000	1.252
130000	1.303
135000	1.356
140000	1.407
145000	1.460

Curve - Forms H2 & H3	
Dwelling Amount	Factor
150000	1.482
155000	1.527
160000	1.573
165000	1.618
170000	1.663
175000	1.707
180000	1.750
185000	1.794
190000	1.838
195000	1.882
200000	1.944
205000	1.987
210000	2.031
215000	2.075
220000	2.118
225000	2.161
230000	2.205
235000	2.248
240000	2.292
245000	2.336
250000	2.333
255000	2.384
260000	2.435
265000	2.486

Curve - Forms H2 & H3	
Dwelling Amount	Factor
270000	2.537
275000	2.590
280000	2.641
285000	2.692
290000	2.743
295000	2.794
300000	2.819
305000	2.870
310000	2.922
315000	2.973
320000	3.025
325000	3.077
330000	3.129
335000	3.180
340000	3.232
345000	3.284
350000	3.335
355000	3.391
360000	3.446
365000	3.502
370000	3.557
375000	3.612
380000	3.667
385000	3.723
390000	3.778

Curve - Forms H2 & H3	
Dwelling Amount	Factor
395000	3.834
400000	3.795
410000	3.903
420000	4.010
430000	4.118
440000	4.225
450000	4.334
460000	4.442
470000	4.549
480000	4.657
490000	4.764
500000	4.874
550000	5.413
600000	5.952
650000	6.492
700000	7.031
750000	7.571
800000	8.110
850000	8.649
900000	9.189
950000	9.728
1000000	10.267
Each Additional \$50,000	0.539

Arkansas
Homeowners Rating Manual
Curve Forms - H2 & H3

Curve - Forms H2 & H3	
Dwelling Amount	Factor
5000	0.431
15000	0.476
25000	0.521
35000	0.558
45000	0.586
50000	0.601
55000	0.628
60000	0.655
65000	0.682
70000	0.708
75000	0.755
80000	0.801
85000	0.849
90000	0.896
95000	0.931
100000	0.966
105000	1.000
110000	1.048
115000	1.096
120000	1.143
125000	1.192
130000	1.241
135000	1.291
140000	1.340
145000	1.390

Curve - Forms H2 & H3	
Dwelling Amount	Factor
150000	1.439
155000	1.483
160000	1.527
165000	1.571
170000	1.615
175000	1.657
180000	1.699
185000	1.742
190000	1.784
195000	1.827
200000	1.869
205000	1.911
210000	1.953
215000	1.995
220000	2.037
225000	2.078
230000	2.120
235000	2.162
240000	2.204
245000	2.246
250000	2.287
255000	2.337
260000	2.387
265000	2.437

Curve - Forms H2 & H3	
Dwelling Amount	Factor
270000	2.487
275000	2.539
280000	2.589
285000	2.639
290000	2.689
295000	2.739
300000	2.791
305000	2.842
310000	2.893
315000	2.944
320000	2.995
325000	3.047
330000	3.098
335000	3.149
340000	3.200
345000	3.251
350000	3.302
355000	3.357
360000	3.412
365000	3.467
370000	3.522
375000	3.576
380000	3.631
385000	3.686
390000	3.741

Curve - Forms H2 & H3	
Dwelling Amount	Factor
395000	3.796
400000	3.849
410000	3.958
420000	4.067
430000	4.176
440000	4.285
450000	4.396
460000	4.505
470000	4.614
480000	4.723
490000	4.832
500000	4.943
550000	5.490
600000	6.037
650000	6.584
700000	7.131
750000	7.678
800000	8.225
850000	8.772
900000	9.319
950000	9.866
1000000	10.413
Each Additional \$50,000	0.547

Arkansas
Homeowners Rating Manual

Proposed Curve - Forms H2 & H3	
Dwelling Amount	Factor
5000	0.465
15000	0.514
25000	0.563
35000	0.603
45000	0.633
50000	0.649
55000	0.678
60000	0.707
65000	0.737
70000	0.765
75000	0.815
80000	0.865
85000	0.917
90000	0.968
95000	1.005
100000	1.034
105000	1.070
110000	1.121
115000	1.173
120000	1.223
125000	1.252
130000	1.303
135000	1.356
140000	1.407
145000	1.460

Proposed Curve - Forms H2 & H3	
Dwelling Amount	Factor
150000	1.482
155000	1.527
160000	1.573
165000	1.618
170000	1.663
175000	1.707
180000	1.750
185000	1.794
190000	1.838
195000	1.882
200000	1.944
205000	1.987
210000	2.031
215000	2.075
220000	2.118
225000	2.161
230000	2.205
235000	2.248
240000	2.292
245000	2.336
250000	2.333
255000	2.384
260000	2.435
265000	2.486

Proposed Curve - Forms H2 & H3	
Dwelling Amount	Factor
270000	2.537
275000	2.590
280000	2.641
285000	2.692
290000	2.743
295000	2.794
300000	2.819
305000	2.870
310000	2.922
315000	2.973
320000	3.025
325000	3.077
330000	3.129
335000	3.180
340000	3.232
345000	3.284
350000	3.335
355000	3.391
360000	3.446
365000	3.502
370000	3.557
375000	3.612
380000	3.667
385000	3.723
390000	3.778

Proposed Curve - Forms H2 & H3	
Dwelling Amount	Factor
395000	3.834
400000	3.795
410000	3.903
420000	4.010
430000	4.118
440000	4.225
450000	4.334
460000	4.442
470000	4.549
480000	4.657
490000	4.764
500000	4.874
550000	5.413
600000	5.952
650000	6.492
700000	7.031
750000	7.571
800000	8.110
850000	8.649
900000	9.189
950000	9.728
1000000	10.267
Each Additional \$50,000	0.539

Arkansas
Homeowners Rating Manual
Deductible Rating

Minimum Deductible Charge		
Deductible	H4	H6
100	15	15
100 w/250 Theft	5	5

Maximum Deductible Credit			
Deductibles	Wind Deductible / Percentage	H2	H3
500	1	222	222
500	2	259	259
500	5	297	297
500	1000	201	201
500	2000	244	244
500	5000	281	281
500	None	185	185
1000	1	646	646
1000	2	672	672
1000	5	731	731
1000	2000	662	662
1000	5000	683	683
1000	None	635	635
2500	1	863	863
2500	2	874	874
2500	5	927	927
2500	5000	890	890
2500	None	847	847
5000	None	1059	1059

Arkansas
Homeowners Rating Manual

Deductible Rating

Minimum Deductible Charge		
Deductible	H4	H6
100	15	15
100 w/250 Theft	5	5

Maximum Deductible Credit			
Deductibles	Wind Deductible / Percentage	H2	H3
500	1	210	210
500	2	245	245
500	5	280	280
500	1000	190	190
500	2000	230	230
500	5000	265	265
500	None	175	175
1000	1	610	610
1000	2	635	635
1000	5	690	690
1000	2000	625	625
1000	5000	645	645
1000	None	600	600
2500	1	815	815
2500	2	825	825
2500	5	875	875
2500	5000	840	840
2500	None	800	800
5000	None	1000	1000

Proposed Maximum Deductible Credit			
Deductibles	Wind Deductible / Percentage	H2	H3
500	1	222	222
500	2	259	259
500	5	297	297
500	1000	201	201
500	2000	244	244
500	5000	281	281
500	None	185	185
1000	1	646	646
1000	2	672	672
1000	5	731	731
1000	2000	662	662
1000	5000	683	683
1000	None	635	635
2500	1	863	863
2500	2	874	874
2500	5	927	927
2500	5000	890	890
2500	None	847	847
5000	None	1059	1059

State: Arkansas
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First Filing Company: Liberty Mutual Fire Insurance Company, ...

Supporting Document Schedules

Satisfied - Item:	H-1 Homeowners Abstract
Comments:	
Attachment(s):	H-1 Homeowners Abstract.pdf
Item Status:	Filed
Status Date:	12/15/2014

Satisfied - Item:	HPCS-Homeowners Premium Comparison Survey
Comments:	
Attachment(s):	HO Survey FORM HPCS-LMFIC.pdf HO Survey FORM HPCS-TFLIC.pdf HO Survey FORM HPCS-LMFIC.xls HO Survey FORM HPCS-TFLIC.xls
Item Status:	Filed
Status Date:	12/15/2014

Satisfied - Item:	NAIC loss cost data entry document
Comments:	
Attachment(s):	TFLIC NAIC Loss Cost Data.pdf LMFIC NAIC Loss Cost Data.pdf
Item Status:	Filed
Status Date:	12/15/2014

Satisfied - Item:	Cover Letter
Comments:	
Attachment(s):	AR HO SR Cover Letter 2015.pdf
Item Status:	Filed
Status Date:	12/15/2014

Satisfied - Item:	Actuarial Justification
Comments:	
Attachment(s):	Home Filing Memorandum.pdf Home Filing Exhibits.pdf Profit Provision.pdf
Item Status:	Filed
Status Date:	12/15/2014

ARKANSAS INSURANCE DEPARTMENT

FORM H-1 HOMEOWNERS ABSTRACT

INSTRUCTIONS: All questions must be answered. If the answer is "none" or "not applicable", so state. If all questions are not answered, the filing will not be accepted for review by the Department. Use a separate abstract for each company if filing for a group. Subsequent homeowners rate/rule submissions that do not alter the information contained herein need not include this form.

Company Name _____

NAIC # (including group #) _____

1. If you have had an insurance to value campaign during the experience filing period, describe the campaign and estimate its impact.

2. If you use a cost estimator (or some similar method) in order to make sure that dwellings (or contents) are insured at their value, state when this program was started in Arkansas and estimate its impact.

3. If you require a minimum relationship between the amount of insurance to be written and the replacement value of the dwelling (contents) in order to purchase insurance, describe the procedures that are used.

4. If you use an Inflation Guard form or similar type of coverage, describe the coverage(s) and estimate the impact.

5. Specify the percentage given for credit or discounts for the following:

- | | |
|---|---------|
| a. Fire Extinguisher | _____ % |
| b. Burglar Alarm | _____ % |
| c. Smoke Alarm | _____ % |
| d. Insured who has both homeowners and auto with your | _____ % |

company

- | | |
|-------------------------|---------|
| e. Deadbolt Locks | _____ % |
| f. Window or Door Locks | _____ % |
| g. Other (specify) | _____ % |
| | _____ % |
| | _____ % |

6. Are there any areas in the State of Arkansas In which your company will not write homeowners insurance? If so, state the areas and explain reason for not writing.

7. Specify the form(s) utilized in writing homeowners insurance. Indicate the Arkansas premium volume for each form.

Form	Premium Volume
------	----------------

8. Do you write homeowner risks which have aluminum, steel or vinyl siding? Yes No

9. Is there a surcharge on risks with wood heat?

If yes, state the surcharge

Does the surcharge apply to conventional fire places?

If yes, state the surcharge

THE INFORMATION PROVIDED IS CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

Signature

Printed Name

Title

Telephone Number

Email address

NAIC Number: 23035
 Company Name: Liberty Mutual Fire Insurance Company
 Contact Person: Monica Cheath
 Telephone No.: 206.473.5569
 Email Address: monica.cheath@safeco.com
 Effective Date: 2/21/2015

Homeowners Premium Comparison Survey Form
FORM HPCS - last modified August, 2005
USE THE APPROPRIATE FORM BELOW - IF NOT APPLICABLE, LEAVE BLANK

Submit to: Arkansas Insurance Department
 1200 West Third Street
 Little Rock, AR 72201-1904
 Telephone: 501-371-2800
 Email as an attachment to insurance.pnc@arkansas.gov
 You may also attach to a SERFF filing or submit on a cdr disk

Survey Form for HO3 (Homeowners) - Use \$500 Flat Deductible (Covers risk of direct physical loss for dwelling and other structures; named perils for personal property, replacement cost on dwelling, actual cash value on personal property)

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Desha		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000	\$995.04	\$1,101.40	\$995.04	\$1,101.40	\$1,497.13	\$1,654.96	\$1,426.22	\$1,577.19	\$1,426.22	\$1,577.19	\$1,375.90	\$1,521.15	\$1,578.33	\$1,745.32	\$1,107.12	\$1,221.49	\$1,428.51	\$1,579.48
	\$120,000	\$1,406.21	\$1,555.79	\$1,527.46	\$1,689.50	\$2,115.55	\$2,341.05	\$2,015.84	\$2,228.87	\$2,015.84	\$2,228.87	\$1,944.45	\$2,150.68	\$2,233.40	\$2,467.96	\$1,562.59	\$1,726.89	\$2,020.37	\$2,234.53
	\$160,000	\$1,808.50	\$2,000.47	\$1,808.50	\$2,000.47	\$2,721.47	\$3,008.34	\$2,592.76	\$2,868.73	\$2,592.76	\$2,868.73	\$2,501.14	\$2,767.28	\$2,869.82	\$3,175.23	\$2,008.11	\$2,219.72	\$2,599.30	\$2,874.18
6	\$80,000	\$1,171.17	\$1,311.85	\$1,171.17	\$1,311.85	\$1,760.19	\$1,971.77	\$1,677.84	\$1,879.13	\$1,677.84	\$1,879.13	\$1,619.51	\$1,812.80	\$1,857.40	\$2,080.43	\$1,299.27	\$1,454.81	\$1,681.27	\$1,884.85
	\$120,000	\$2,185.81	\$2,012.44	\$1,797.14	\$2,012.44	\$2,489.49	\$2,788.63	\$2,371.64	\$2,656.06	\$2,371.64	\$2,656.06	\$2,288.92	\$2,564.27	\$2,625.46	\$2,940.47	\$1,836.80	\$2,057.76	\$2,377.31	\$2,662.86
	\$160,000	\$2,129.18	\$2,384.42	\$2,129.18	\$2,384.42	\$3,201.41	\$3,585.36	\$3,051.97	\$3,417.38	\$3,051.97	\$3,417.38	\$2,942.90	\$3,296.31	\$3,377.02	\$3,782.79	\$2,361.52	\$2,646.21	\$3,057.43	\$3,425.02
9	\$80,000	\$2,177.64	\$2,518.47	\$2,177.64	\$2,518.47	\$3,275.61	\$3,785.71	\$3,122.36	\$3,607.29	\$3,122.36	\$3,607.29	\$3,010.27	\$3,479.20	\$3,455.18	\$3,992.73	\$2,416.68	\$2,792.96	\$3,128.07	\$3,615.30
	\$120,000	\$3,342.73	\$3,863.97	\$3,342.73	\$3,863.97	\$4,628.84	\$5,351.77	\$4,412.41	\$5,100.22	\$4,412.41	\$5,100.22	\$4,256.04	\$4,920.05	\$4,883.79	\$5,645.25	\$3,416.39	\$3,948.96	\$4,420.34	\$5,111.55
	\$160,000	\$3,959.50	\$4,576.87	\$3,959.50	\$4,576.87	\$5,953.42	\$6,883.85	\$5,675.28	\$6,560.98	\$5,675.28	\$6,560.98	\$5,474.57	\$6,327.56	\$6,280.65	\$7,260.17	\$4,394.71	\$5,079.72	\$5,686.18	\$6,571.89

Survey Form for HO4 (Renters) - Use \$500 Flat Deductible (Named perils for personal property, actual cash value for loss, liability and medical payments for others included)

Public Protection Class	Property Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$5,000	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80
	\$15,000	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05
	\$25,000	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95
6	\$5,000	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74
	\$15,000	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65
	\$25,000	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02
9	\$5,000	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40
	\$15,000	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44
	\$25,000	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46

Survey Form for DP-2 (Dwelling/Fire) - Use \$500 Flat Deductible (Named perils for dwelling and personal property; replacement cost for dwelling, actual cash value for personal property, no liability coverage)

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000																		
	\$120,000																		
	\$160,000																		
6	\$80,000																		
	\$120,000																		
	\$160,000																		
9	\$80,000																		
	\$120,000																		
	\$160,000																		

SPECIFY THE PERCENTAGE GIVEN FOR CREDITS OR DISCOUNTS FOR THE FOLLOWING:

HO3 and HO4 only

Fire Extinguisher	<input type="text" value="6"/> %	Deadbolt Lock	<input type="text" value="6"/> %
Burglar Alarm	<input type="text" value="5-10"/> %	Window Locks	<input type="text" value="0"/> %
Smoke Alarm	<input type="text" value="1-2"/> %	\$1,000 Deductible	<input type="text" value="26-30"/> %
		Other (specify)	<input type="text" value="8-13"/> %
		Maximum Credit Allowed	<input type="text" value=""/> %

EARTHQUAKE INSURANCE

IMPORTANT, homeowners insurance does NOT automatically cover losses from earthquakes. Ask your agent about this cover.

ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS? (yes or no)

WHAT IS YOUR PERCENTAGE DEDUCTIBLE? %

Zone

	Brick	Frame
Highest Risk	\$ <input type="text" value="0.71"/>	\$ <input type="text" value="0.58"/>
Lowest Risk	\$ <input type="text" value="0.21"/>	\$ <input type="text" value="0.18"/>

WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?

NAIC Number: 33588
 Company Name: The First Liberty Insurance Corporation
 Contact Person: Monica Cheath
 Telephone No.: 206.473.5569
 Email Address: Monica.Cheath@Safeco.com
 Effective Date: 2/21/2015

**Homeowners Premium Comparison Survey Form
 FORM HPCS - last modified August, 2005**

Submit to: Arkansas Insurance Department
 1200 West Third Street
 Little Rock, AR 72201-1904
 Telephone: 501-371-2800
 Email as an attachment to insurance.pnc@arkansas.gov
 You may also attach to a SERFF filing or submit on a cdr disk

USE THE APPROPRIATE FORM BELOW - IF NOT APPLICABLE, LEAVE BLANK

Survey Form for HO3 (Homeowners) - Use \$500 Flat Deductible (Covers risk of direct physical loss for dwelling and other structures; named perils for personal property, replacement cost on dwelling, actual cash value on personal property)

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Desha		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000	\$995.04	\$1,101.40	\$995.04	\$1,101.40	\$1,497.13	\$1,654.96	\$1,426.22	\$1,577.19	\$1,426.22	\$1,577.19	\$1,375.90	\$1,521.15	\$1,578.33	\$1,745.32	\$1,107.12	\$1,221.49	\$1,428.51	\$1,579.48
	\$120,000	\$1,406.21	\$1,555.79	\$1,527.46	\$1,689.50	\$2,115.55	\$2,341.05	\$2,015.84	\$2,228.87	\$2,015.84	\$2,228.87	\$1,944.45	\$2,150.68	\$2,233.40	\$2,467.96	\$1,562.59	\$1,726.89	\$2,020.37	\$2,234.53
	\$160,000	\$1,808.50	\$2,000.47	\$1,808.50	\$2,000.47	\$2,721.47	\$3,008.34	\$2,592.76	\$2,868.73	\$2,592.76	\$2,868.73	\$2,501.14	\$2,767.28	\$2,869.82	\$3,175.23	\$2,008.11	\$2,219.72	\$2,599.30	\$2,874.18
6	\$80,000	\$1,171.17	\$1,311.85	\$1,171.17	\$1,311.85	\$1,760.19	\$1,971.77	\$1,677.84	\$1,879.13	\$1,677.84	\$1,879.13	\$1,619.51	\$1,812.80	\$1,857.40	\$2,080.43	\$1,299.27	\$1,454.81	\$1,681.27	\$1,884.85
	\$120,000	\$2,185.81	\$2,012.44	\$1,797.14	\$2,012.44	\$2,489.49	\$2,788.63	\$2,371.64	\$2,656.06	\$2,371.64	\$2,656.06	\$2,288.92	\$2,564.27	\$2,625.46	\$2,940.47	\$1,836.80	\$2,057.76	\$2,377.31	\$2,662.86
	\$160,000	\$2,129.18	\$2,384.42	\$2,129.18	\$2,384.42	\$3,201.41	\$3,585.36	\$3,051.97	\$3,417.38	\$3,051.97	\$3,417.38	\$2,942.90	\$3,296.31	\$3,377.02	\$3,782.79	\$2,361.52	\$2,646.21	\$3,057.43	\$3,425.02
9	\$80,000	\$2,177.64	\$2,518.47	\$2,177.64	\$2,518.47	\$3,275.61	\$3,785.71	\$3,122.36	\$3,607.29	\$3,122.36	\$3,607.29	\$3,010.27	\$3,479.20	\$3,455.18	\$3,992.73	\$2,416.68	\$2,792.96	\$3,128.07	\$3,615.30
	\$120,000	\$3,342.73	\$3,863.97	\$3,342.73	\$3,863.97	\$4,628.84	\$5,351.77	\$4,412.41	\$5,100.22	\$4,412.41	\$5,100.22	\$4,256.04	\$4,920.05	\$4,883.79	\$5,645.25	\$3,416.39	\$3,948.96	\$4,420.34	\$5,111.55
	\$160,000	\$3,959.50	\$4,576.87	\$3,959.50	\$4,576.87	\$5,953.42	\$6,883.85	\$5,675.28	\$6,560.98	\$5,675.28	\$6,560.98	\$5,474.57	\$6,327.56	\$6,280.65	\$7,260.17	\$4,394.71	\$5,079.72	\$5,686.18	\$6,571.89

Survey Form for HO4 (Renters) - Use \$500 Flat Deductible (Named perils for personal property, actual cash value for loss, liability and medical payments for others included)

Public Protection Class	Property Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$5,000	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80	\$193.80
	\$15,000	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05	\$324.05
	\$25,000	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95	\$429.95
6	\$5,000	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74	\$210.74
	\$15,000	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65	\$352.65
	\$25,000	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02	\$467.02
9	\$5,000	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40	\$294.40
	\$15,000	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44	\$492.44
	\$25,000	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46	\$654.46

Survey Form for DP-2 (Dwelling/Fire) - Use \$500 Flat Deductible (Named perils for dwelling and personal property; replacement cost for dwelling, actual cash value for personal property, no liability coverage)

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000																		
	\$120,000																		
	\$160,000																		
6	\$80,000																		
	\$120,000																		
	\$160,000																		
9	\$80,000																		
	\$120,000																		
	\$160,000																		

SPECIFY THE PERCENTAGE GIVEN FOR CREDITS OR DISCOUNTS FOR THE FOLLOWING:

HO3 and HO4 only

Fire Extinguisher	<input type="text" value="6"/> %	Deadbolt Lock	<input type="text" value="6"/> %
Burglar Alarm	<input type="text" value="5-10"/> %	Window Locks	<input type="text" value="0"/> %
Smoke Alarm	<input type="text" value="1-2"/> %	\$1,000 Deductible	<input type="text" value="26-30"/> %
		Other (specify)	<input type="text" value="8-13"/> %
		Maximum Credit Allowed	<input type="text" value=""/> %

EARTHQUAKE INSURANCE

IMPORTANT, homeowners insurance does NOT automatically cover losses from earthquakes. Ask your agent about this cover

ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS?	<input type="text" value="Yes"/> (yes or no)		
WHAT IS YOUR PERCENTAGE DEDUCTIBLE?	<input type="text" value="10-25"/> %		
WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?	Zone	Brick	Frame
	Highest Risk	\$ <input type="text" value="0.71"/>	\$ <input type="text" value="0.58"/>
	Lowest Risk	\$ <input type="text" value="0.21"/>	\$ <input type="text" value="0.18"/>

NAIC LOSS COST DATA ENTRY DOCUMENT (EFFECTIVE AUG. 16, 2004)

1.	This filing transmittal is part of Company Tracking #	14-AR-P-HO-RR-LEG-ASR
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2.	If filing is an adoption of an advisory organization loss cost filing, give name of advisory organization and Reference/Item Filing Number	
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Company Name		Company NAIC Number	
3.	A. The First Liberty Insurance Corporation	B.	111-33588

Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)	
4.	A. Homeowners	B.	

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS ONLY			
			(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)
Dwelling	19.5%	5.91%				
Renters	19.5%	5.91%				
Condos	19.5%	5.93%				
TOTAL OVERALL EFFECT		5.91%				

5 Year History		Rate Change History					
Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
2014	-	-	3/28				
2013	-	-	3/28				35.8
2012	-	-	3/28				48.8
2011	-	-	3/28				59.2

Expense Constants	Selected Provisions
A. Total Production Expense	2.7
B. General Expense	19.9
C. Taxes, License & Fees	3.2
D. Underwriting Profit & Contingencies	16.6
E. Other (explain)	
F. TOTAL	42.4

8. N/A Apply Lost Cost Factors to Future filings? (Y or N)
9. N/A Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): _____
10. N/A Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): _____

NAIC LOSS COST DATA ENTRY DOCUMENT (EFFECTIVE AUG. 16, 2004)

1.	This filing transmittal is part of Company Tracking #	14-AR-P-HO-RR-LEG-ASR
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2.	If filing is an adoption of an advisory organization loss cost filing, give name of advisory organization and Reference/Item Filing Number	
----	--	--

Company Name		Company NAIC Number	
3.	A. Liberty Mutual Fire Insurance Company	B.	111-23035

Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)	
4.	A. Homeowners	B.	

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS ONLY				
			(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
Dwelling	19.5	5.91%					
Renters	19.5	5.91%					
Condos	19.5	5.93%					
TOTAL OVERALL EFFECT		5.91%					

5 Year History		Rate Change History					
Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
2014	7732	12.3	3/28				
2013	6198	10.0	3/28	6,706	3,995	59.6	35.8
2012	4491	10.0	3/28	5,136	4,509	87.8	48.8
2011	3858	10.1	3/28	4,312	4,739	109.9	59.2

Expense Constants	Selected Provisions
A. Total Production Expense	2.7
B. General Expense	19.9
C. Taxes, License & Fees	3.2
D. Underwriting Profit & Contingencies	16.6
E. Other (explain)	
F. TOTAL	42.4

8. Apply Lost Cost Factors to Future filings? (Y or N)
9. 11.10% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): _____
10. 0.00% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): _____



Liberty Mutual Group
 175 Berkeley Street
 Mailstop 04G/H
 Boston, MA 02116
 Telephone: (800) 225-8346
 Facsimile: (617) 654-3452

December 15, 2014

Arkansas Insurance Department
 Property & Casualty Division
 1200 W 3rd Street
 Little Rock, AR 72201-1904

RE: Homeowner Rate Revision
Company Tracking No. 15-AR-P-HO-RR-LEG-LVL1
Liberty Mutual Fire Insurance Company, NAIC #111-23035
The First Liberty Insurance Corporation, NAIC #111-33588

In accordance with applicable "File & Use" provisions, Liberty Mutual Fire Insurance Company (LMFIC) and The First Liberty Insurance Corporation (TFLIC) respectfully submit the following revisions to their Homeowner Rating Program. These changes will be effective for new business policies produced and effective on or after **February 21, 2015**, and renewal business policies produced and effective on or after **March 28, 2015**.

Summary of Changes

1. Revise H3, H4, H6 base rates.
2. Revise H3 AOI/dwelling amount curve.
3. Revise H3 Maximum Deductible Credit.

Rate Effect

Homeowner State Review Rate Impact			
Form	LMFIC	TFLIC	Overall Effect
H3 Dwelling	5.91%	5.91%	5.91%
H4 Tenant	5.91%	5.91%	5.91%
H6 Condo	5.93%	5.93%	5.93%
Total	5.91%	5.91%	5.91%

Rating Manual

- Section R, Page 1 – Revise Property base rates.
- Section R, Page 2 – Revise H3 AOI/dwelling amount curve.
- Section R, Page 7 – Revise H3 Maximum Deductible Credit.

Filing Information

This filing is being submitted electronically through SERFF. Please feel free to contact me with any questions or concerns.

Thank you for your consideration of our submission.



Darren Demmon
Compliance Analyst
Liberty Mutual Personal Insurance, Product Management
Phone: (425) 943-6215
darren.demmon@libertymutual.com



Liberty Mutual Insurance
Arkansas
Homeowners

Summary of Rate Indications

Narrative

The most current rate level indication for Arkansas Homeowners is +19.5% with a new business effective date of February 21, 2015 and a renewal business effective date of March 28, 2015.

Past and Prospective Experience Within and Outside the State

Calendar year earned premiums and accident year incurred losses are utilized in the indication. Five years of experience is used beginning July 1, 2009 and ending June 30, 2014. Losses are evaluated as of June 30, 2014. The Dwelling forms rate level indication is +19.5% (See Exhibit I). This indication serves as justification for all forms, as our experience for Contents forms does not have significant credibility and, hence, is not reliable as an indicator of the adequacy of the company's current rates.

Direct earned premiums for the latest five calendar years are brought to current level by means of the parallelogram method. Premium is then adjusted to reflect changes in the amounts of insurance purchased due to inflation, shifts towards higher deductibles, changes in territory mix, etc. The calculation of the actual trend factors involves regression analysis on a state-specific basis of the latest five calendar years of average earned premium at current rate level (See Exhibit III).

Statewide total reported losses (excluding tornado/hail/severe storm/fire following losses and excluding catastrophes) capped at \$250,000 per occurrence for the five accident years are developed to their ultimate value by use of loss development factors (See Exhibit II). The selected loss development factors are based on an analysis of countrywide uncapped accident year losses evaluated at common ages and the patterns exhibited as these losses change from their initial valuation to final settlement. Capped Loss Factors are then applied to gross them up to their expected, uncapped level. These factors represent the estimated relativity of total losses to losses capped at \$250,000 per occurrence (See Exhibit VII). Losses are then adjusted to reflect the impact of inflation of past claim costs.

A two-step trending procedure is used to project both premiums and losses. The historical trend factor brings data from the average date of each year used in the experience period to the average date in the latest experience period (January 1, 2014). The projected trend factor brings data from the average date in the latest experience period to one year beyond the proposed effective date (March 28, 2016). The loss trend selections are based upon a review

of least squares fitted trend lines to the last five years of both Liberty Mutual and Industry Fast Track data and are shown in Exhibit III.

The data used to develop the indication is 50.0% credible, based on the full credibility standard of 135,000 earned exposures (See Exhibit VI) and a minimum 50% credibility. The product of Liberty Mutual's Southwest Region ex-catastrophe ex-severe storm pure premium and the number of Liberty Mutual's earned exposures in the state of Arkansas is used as the Loss Complement (See Exhibit I, Item 12a). The Trended and Developed Normal Losses are credibility weighted with the Loss Complement to determine the Credibility Adjusted Normal Losses (See Exhibit I, Item 12b).

The Weighted Normal Loss Ratio is the result of multiplying each year's Normal Loss Ratio by its respective weight and adding the products. This Loss Ratio is then projected to the future period via the premium and loss projection factors to arrive at the Projected Normal Loss Ratio (See Exhibit I, Item 20).

Catastrophic Hazards

Because of the low frequency and high severity nature of catastrophes, catastrophe losses could significantly impact the financial results of an insurer from one year to another. To properly reflect the catastrophe hazard, it is appropriate to eliminate actual catastrophe losses from the experience period and to include a catastrophe provision in the rates which represents expected catastrophic loss.

The Provision for Non-Modeled Catastrophes is for any expected catastrophic activity excluding hurricane, severe storm, and fire following earthquake. The factor is selected based upon the long term observed average ratio of Liberty Mutual's historical non-modeled catastrophe losses to amount of insurance (in thousands) in the state of Arkansas (See Exhibit IV).

The provision for Tornado/Hail/Severe Thunderstorm Wind Losses is based on the last 22 years of observed severe storm loss experience in Arkansas.

The provision for Fire Following Earthquake Losses is based on average annual fire following earthquake losses for Arkansas modeled from the AIR earthquake model.

These models are based on scientific data and mathematical and empirical models. Liberty Mutual's recent policyholder exposure information is used with the model to estimate the average annual loss. The provisions are the ratios of Liberty Mutual's expected annual loss to the most recent year's projected earned premium at current level (See Exhibit IV, Sheet 1), and are then added to the Projected Normal Loss Ratio (See Exhibit I).

Insurer Operating Expenses

Incurred losses are adjusted to include all loss adjustment expenses. Based on a 3-Year average of Liberty Mutual Southwest Regional loss adjustment expense factors, we have selected an LAE load of +10.7% (as a percentage of Earned Premium).

General and acquisition expenses are selected based on a 3-Year average of Liberty Mutual Southwest Regional expense projections (See Exhibit V). As there is no hurricane exposure in Arkansas, no reinsurance expense is allocated. Fixed expenses are then calculated as a percent of Earned Premium and added to the developed and trended loss ratio to determine the overall indicated loss, loss adjustment expense, fixed expense, and reinsurance ratio (See Exhibit I, Item 32). Liberty Mutual uses an annual trend of +1.8% to trend its fixed expense ratio.

Variable expenses include taxes, licenses, fees, profit and contingency, variable general and acquisition expenses, and FAIR plan provision. These items vary directly with premium (See Exhibit V).

The projected permissible loss, loss adjustment expense, fixed expense, and reinsurance ratio is +75.5% (See Exhibit I, Item 33).

Reasonable Profit Margin

Our selected margin of 16.6% for profit and contingencies is calculated to allow a return on surplus of 15%, with a 1.25:1 premium-to-surplus model (See Appendix A).

Index of Exhibits

Exhibit	Description
I	Homeowners Rate Level Indication – Dwelling Forms
II	Loss Development Triangle
III	Trend Analysis
IV	Catastrophe Provision Calculation
V	Expense Calculation
VI	Credibility Standard
VII	Uncapped Loss Factors
Appendix	Homeowners Profit Provision

Liberty Mutual Insurance
Homeowners
Arkansas
Accident Period: 07/01/09 to 06/30/14
Data Evaluated as of: 6/30/14

Statewide Indicated Rate Level Change

Dwellings

Experience Period	(1) Earned Exposures	(2) Earned Premium @ Collected Level	(3) On-Level Factors	(4) Earned Premium @ Current Level	(5) Historical Premium Trend Factor	(6) Trended Earned Premium @ Current Level
07/01/09 to 06/30/10	2,849	3,139,726	1.633	5,128,334	0.885	4,540,077
07/01/10 to 06/30/11	3,197	3,708,992	1.499	5,560,276	0.913	5,074,714
07/01/11 to 06/30/12	3,604	4,353,375	1.389	6,046,893	0.941	5,689,522
07/01/12 to 06/30/13	4,181	5,384,438	1.262	6,797,773	0.970	6,593,840
07/01/13 to 06/30/14	5,274	7,321,105	1.147	8,395,439	1.000	8,395,439
5 Year Total	19,106	23,907,635		31,928,716		30,293,592

Experience Period	(7) xCAT xSS Capped Incurred Loss	(8) Uncapped Loss Factor	(9) Loss Development Factor	(10) Historical Loss Trend Factor	(11) Trended Developed Normal Losses	(12a) Loss Complement Regional PP Exposures * (\$275)	(12b) Cred. Adjusted Normal Losses	(13) Normal Loss Ratio	(14) Loss Ratio Weights
07/01/09 to 06/30/10	1,243,969	1.117	1.005	1.082	1,510,453	783,535	1,146,994	25.3%	10.0%
07/01/10 to 06/30/11	1,078,763	1.107	1.007	1.061	1,275,674	879,040	1,077,357	21.2%	15.0%
07/01/11 to 06/30/12	2,067,377	1.129	1.017	1.040	2,468,899	991,168	1,730,033	30.4%	20.0%
07/01/12 to 06/30/13	3,302,288	1.145	1.028	1.020	3,963,080	1,149,882	2,556,481	38.8%	25.0%
07/01/13 to 06/30/14	2,585,086	1.180	1.091	1.000	3,329,051	1,450,418	2,389,735	28.5%	30.0%
5 Year Total	10,277,484				12,547,157	5,254,043	8,900,600		

(15) House Years in Experience Period	19,106
(16) Credibility = Square root of [(15)/135000] (min = 0.5, max = 1.0)	50.0%

(17) Weighted Normal Loss Ratio	30.0%
(18) Premium Projection Factor	0.945
(19) Loss Projection Factor	1.045
(20) Projected Normal Loss Ratio = (17) x (19) / (18)	33.2%

(21) Provision for Non-modeled Catastrophes	0.6%
(22) Provision for Tornado/Hail/Severe Thunderstorm Losses	26.9%
(23) Provision for Hurricane Wind Losses	0.0%
(24) Provision for Fire Following Earthquake Losses	0.1%
(25) Loss Adjustment Expense Factor	17.5%
(26) Loss Adjustment Factor (as % of Premium) = (25) x Sum [(20) : (24)]	10.7%
(27) Projected Total Loss and LAE Ratio = Sum [(20) : (24)] + (26)	71.5%

(28) Provision for Fixed Expense	18.7%
(29) Provision for Reinsurance Cost	0.0%
(30) Provision for Risk Capital Load	0.0%
(31) Provision for Variable Expense	24.5%
(32) Indicated Loss, LAE, Fixed Expense, and Reinsurance Ratio = Sum [(27) : (30)]	90.2%
(33) Permissible Loss, LAE, Fixed Expense, and Reinsurance Ratio = 1.0 - (31)	75.5%

(34) Indicated Rate Change = (32) / (33) - 1	19.5%
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**Liberty Mutual Insurance
All US States Homeowners
Dwelling Forms
Incurred Losses Excluding Catastrophes and Severe Storms (in thousands)
Uncapped**

Acc Period	Maturity										
	12	24	36	48	60	72	84	96	108	120	132
July2003-June2004	242,730	260,229	261,970	262,630	261,938	262,369	262,384	262,446	262,437	262,636	262,670
July2004-June2005	342,685	366,512	371,989	372,215	372,671	372,877	373,994	374,205	374,826	374,937	
July2005-June2006	412,839	445,811	448,043	446,086	447,479	447,175	447,683	447,566	447,493		
July2006-June2007	444,405	472,908	472,998	471,765	471,756	473,352	473,077	473,374			
July2007-June2008	502,925	514,607	515,786	515,392	516,777	517,226	518,662				
July2008-June2009	569,831	599,420	600,693	605,669	607,183	608,646					
July2009-June2010	603,452	648,851	658,143	662,284	662,564						
July2010-June2011	639,678	685,927	691,095	702,521							
July2011-June2012	627,250	667,915	674,644								
July2012-June2013	722,846	757,203									
July2013-June2014	748,399										

	Age to Age Factors										
	12 - 24	24 - 36	36 - 48	48 - 60	60 - 72	72 - 84	84 - 96	96 - 108	108 - 120	120 - 132	132-ult
July2003-June2004	1.072	1.007	1.003	0.997	1.002	1.000	1.000	1.000	1.001	1.000	
July2004-June2005	1.070	1.015	1.001	1.001	1.001	1.003	1.001	1.002	1.000		
July2005-June2006	1.080	1.005	0.996	1.003	0.999	1.001	1.000	1.000			
July2006-June2007	1.064	1.000	0.997	1.000	1.003	0.999	1.001				
July2007-June2008	1.023	1.002	0.999	1.003	1.001	1.003					
July2008-June2009	1.052	1.002	1.008	1.002	1.002						
July2009-June2010	1.075	1.014	1.006	1.000							
July2010-June2011	1.072	1.008	1.017								
July2011-June2012	1.065	1.010									
July2012-June2013	1.048										
Selected	1.062	1.011	1.010	1.002	1.002	1.001	1.000	1.000	1.001	1.000	1.000
To Ultimate	1.091	1.028	1.017	1.007	1.005	1.002	1.001	1.001	1.001	1.000	1.000

**Liberty Mutual Insurance
Homeowners
Arkansas
Calculation of Premium Trend Factors**

Historical Premium Factors

Selected Annual Historical Premium Trend :	Dwelling -3.0%
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Experience Period	Trend From	Trend To	Trend Period	Dwelling Premium Trend Factor
07/01/09 to 06/30/10	1/1/2010	1/1/2014	4.00	0.885
07/01/10 to 06/30/11	1/1/2011	1/1/2014	3.00	0.913
07/01/11 to 06/30/12	1/1/2012	1/1/2014	2.00	0.941
07/01/12 to 06/30/13	1/1/2013	1/1/2014	1.00	0.970
07/01/13 to 06/30/14	1/1/2014	1/1/2014	0.00	1.000

Premium Projection Factors

Selected Annual Projected Premium Trend :	Dwelling -2.5%
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Experience Period	Trend From	Trend To	Trend Period	Dwelling Premium Trend Factor
All	1/1/2014	3/28/2016	2.24	0.945

**Liberty Mutual Insurance
Homeowners
Arkansas
Development of Historical Premium Trend**

On-Level Average Earned Premium

Experience Period	Dwelling
07/01/09 to 06/30/10	1,800
07/01/10 to 06/30/11	1,739
07/01/11 to 06/30/12	1,678
07/01/12 to 06/30/13	1,626
07/01/13 to 06/30/14	1,592

1-Yr	-2.1%
2-Yr	-2.6%
3-Yr	-2.9%
4-Yr	-3.1%

Selected Historical Trend	-3.0%
Selected Projected Trend	-2.5%

**Liberty Mutual Insurance
Homeowners
Arkansas
Calculation of Loss Trend Factors**

Historical Loss Trend Factors

Selected Annual Historical Pure Premium Trend :	Dwelling 2.0%
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Experience Period	Trend From	Trend To	Trend Period	Dwelling Loss Trend Factor
07/01/09 to 06/30/10	1/1/2010	1/1/2014	4.00	1.082
07/01/10 to 06/30/11	1/1/2011	1/1/2014	3.00	1.061
07/01/11 to 06/30/12	1/1/2012	1/1/2014	2.00	1.040
07/01/12 to 06/30/13	1/1/2013	1/1/2014	1.00	1.020
07/01/13 to 06/30/14	1/1/2014	1/1/2014	0.00	1.000

Loss Projection Factors

Selected Annual Projected Pure Premium Trend :	Dwelling 2.0%
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Experience Period	Trend From	Trend To	Trend Period	Dwelling Loss Trend Factor
All	1/1/2014	3/28/2016	2.24	1.045

**Liberty Mutual Insurance
Homeowners
Arkansas
Loss Trend Selections**

**Liberty Mutual Insurance
Fast Track Trend Data
Excluding Catastrophes**

Prior 4 Qtrs Ending Year Qtr.		Arkansas			Southwest		
		Paid Severity	Paid Freq.	Paid Pure Premium	Paid Severity	Paid Freq.	Paid Pure Premium
2010	2	8,909	7.85	698.95	9,196	4.11	378.08
2010	3	10,665	5.83	621.72	9,216	3.92	361.23
2010	4	10,790	4.59	494.98	9,504	3.72	353.60
2011	1	9,288	4.61	428.47	9,656	3.57	344.80
2011	2	7,862	4.61	362.12	9,741	3.59	349.34
2011	3	6,919	5.62	388.73	10,544	3.61	380.54
2011	4	9,161	5.45	499.27	10,465	3.73	390.14
2012	1	10,431	5.57	580.92	10,457	3.80	397.76
2012	2	11,680	5.58	651.88	10,175	3.73	379.90
2012	3	15,085	4.89	738.19	10,309	3.93	404.67
2012	4	13,591	5.20	706.65	10,417	3.91	407.16
2013	1	14,293	5.86	837.77	10,394	3.99	414.26
2013	2	14,882	5.98	889.33	10,973	4.00	438.55
2013	3	13,659	5.97	815.30	10,907	3.58	389.93
2013	4	13,354	5.39	719.96	11,140	3.33	370.46
2014	1	14,973	4.46	667.21	12,142	3.14	381.06
2014	2	13,340	4.48	597.39	11,998	3.13	375.08
1-Yr (5 pts)		-4.95%	-29.37%	-32.87%	12.11%	-22.01%	-12.56%
2-Yr (9 pts)		2.90%	-6.89%	-4.19%	9.29%	-11.39%	-3.16%
3-Yr (13 pts)		23.98%	-1.84%	21.69%	5.63%	-4.33%	1.05%
4-Yr (17 pts)		15.50%	-3.05%	11.97%	6.09%	-3.43%	2.45%

**Industry
Fast Track Trend Data
Excluding Catastrophes**

Prior 4 Qtrs Ending Year Qtr.		Arkansas			Southwest		
		Paid Severity	Paid Freq.	Paid Pure Premium	Paid Severity	Paid Freq.	Paid Pure Premium
2010	1	8,063	7.13	574.69	7,373	5.52	406.88
2010	2	8,349	7.11	593.95	7,389	5.65	417.50
2010	3	8,315	6.55	544.80	7,451	5.73	427.06
2010	4	8,341	6.44	537.24	7,553	5.81	438.86
2011	1	8,709	6.42	559.15	7,723	5.85	451.84
2011	2	8,142	6.91	562.63	7,955	5.78	459.94
2011	3	8,208	7.27	596.88	8,108	5.57	451.51
2011	4	8,505	7.12	605.36	8,266	5.38	444.61
2012	1	8,466	6.77	572.71	8,161	5.36	437.76
2012	2	8,822	6.00	529.03	8,089	5.26	425.51
2012	3	8,930	5.63	502.39	8,317	5.14	427.90
2012	4	8,714	5.64	491.06	8,408	5.01	421.35
2013	1	8,176	6.15	502.47	8,542	4.88	416.54
2013	2	8,192	6.17	505.75	8,743	4.77	416.62
2013	3	8,299	5.90	489.98	8,656	4.71	407.93
2013	4	8,218	5.74	472.12	8,571	4.76	408.29
2014	1	9,136	5.44	497.20	8,850	4.66	412.06
1-Yr (5 pts)		9.43%	-11.84%	-3.53%	2.05%	-3.64%	-1.66%
2-Yr (9 pts)		-0.77%	-5.27%	-6.00%	4.19%	-7.00%	-3.10%
3-Yr (13 pts)		0.40%	-7.26%	-6.89%	3.92%	-7.62%	-4.00%
4-Yr (17 pts)		0.93%	-5.68%	-4.80%	4.75%	-5.77%	-1.30%

Selected Historical Trend	2.0%
Selected Projected Trend	2.0%

Liberty Mutual Insurance
Homeowners
Arkansas
Accident Period: 07/01/09 to 06/30/14
Data Evaluated as of: 6/30/14

Calculation of Catastrophe Loads

Dwellings

Loss Type	Latest Year Earned AOI (000s)*	AOI Projection Factor	Projected Earned AOI	Expected Loss per \$1000 AOI	Projected On-Level Earned Premium	CAT Load
Non-Modeled CAT	949,002	1.064	1,009,669	0.051	7,932,567	0.6%
Severe Storm	949,002	1.064	1,009,669	2.110	7,932,567	26.9%
Hurricane	949,002	1.064	1,009,669	0.000	7,932,567	0.0%
Fire Following	949,002	1.064	1,009,669	0.009	7,932,567	0.1%
Reinsurance	949,002	1.064	1,009,669	0.000	7,932,567	0.0%

**Liberty Mutual Insurance
Homeowners
Arkansas
Accident Period: 07/01/09 to 06/30/14
Data Evaluated as of: 6/30/14**

Calculation of AOI Projection Factor

Dwellings

1) Annual AOI Trend	1.028
2) Average Earned Date of Last Year of Experience Period	01/01/14
3) Effective Date for Proposed Rates	03/28/15
4) Average Earned Date Under Proposed Rates	03/28/16
5) Number of Years Between (2) And (4)	2.24
6) AOI Projection Factor = (1)^(5)	1.064

Liberty Mutual Insurance
Homeowners
Arkansas
Historical Non-Modeled CAT Loss per \$1000 AOI
Accident Years 1992 - 2013
Data Evaluated as of: 4/1/14

Dwellings

AY Ending	Non-Modeled CAT Loss per \$1000 AOI
12/31/2004	0.002
12/31/2005	0.000
12/31/2006	0.011
12/31/2007	0.021
12/31/2008	0.065
12/31/2009	0.283
12/31/2010	0.025
12/31/2011	0.063
12/31/2012	0.038
12/31/2013	0.003
Avg Non-Modeled CAT Inc Loss/ \$1000 AOI	5.1%
Selected Non-Modeled CAT Inc Loss / \$1000 AOI	0.051

**Liberty Mutual Insurance
Homeowners
Arkansas
Historical Trended Severe Storm Loss per \$1000 AOI
Accident Years 1992 - 2013**

Dwellings

(1) AY Ending	(2) Severe Storm Loss per \$1000 AOI	(3) Trend Factor [1+(5)]^[6]-(1)]	(4) Trended SS Loss per \$1000 AOI
1992	0.458	1.798	0.823
1993	0.747	1.754	1.310
1994	0.808	1.711	1.383
1995	0.906	1.669	1.513
1996	1.229	1.629	2.002
1997	5.286	1.589	8.399
1998	0.639	1.550	0.991
1999	2.935	1.512	4.439
2000	3.221	1.475	4.753
2001	0.699	1.439	1.006
2002	0.526	1.404	0.739
2003	0.621	1.370	0.851
2004	0.328	1.337	0.439
2005	0.412	1.304	0.538
2006	0.970	1.272	1.234
2007	0.533	1.241	0.661
2008	4.143	1.211	5.016
2009	3.700	1.181	4.370
2010	2.179	1.152	2.511
2011	4.546	1.124	5.111
2012	1.161	1.097	1.273
2013	0.998	1.070	1.067

(5) Selected Annual Trend	2.5%
(6) Projection Date	3/28/2016
(7) Average Trended Severe Storm Inc Loss/\$1000 AOI	2.292
(8) Selected Severe Storm Inc Loss/\$1000 AOI	2.292

**Liberty Mutual Insurance
Homeowners
Arkansas
Projected Expenses**

Dwellings

	Total	Variable	Fixed
Commissions	2.7%	2.7%	0.0%
General & Acquisition	19.9%	2.0%	17.9%
Tax	3.2%	3.2%	0.0%
Profit	15.6%	15.6%	0.0%
Contingency	1.0%	1.0%	0.0%
FAIR Plan	0.0%	0.0%	0.0%
Total Expense Ratio	42.4%	24.5%	17.9%
Total Trended Expense Ratio	43.2%	24.5%	18.7%

Calculation of Annual Fixed Expense Ratio Trend Factor	
Projected Annual Fixed Expense Ratio Trend	1.011
Average Date of Experience Period	7/1/2012
Average Fixed Expense Incurred Date Under Proposed Rates	3/28/2016
Length of Trend Period in Years	3.7
Fixed Expense Ratio Trend Factor	1.043

**Liberty Mutual Insurance
Homeowners
Credibility Standard
Dwelling Forms**

The company endorses a conservative approach to Homeowners marketing, including pricing. To this end, we use a full credibility standard of 135000 earned house-years in the experience period.

This standard is based upon the intent to have 95% confidence that the calculated value is within 10% of the true value of the statistic. According to Mahler and Dean's Foundations of Casualty Actuarial Science (fourth edition), a classical credibility approach can be used resulting in a standard for full credibility of the pure premium that can be expressed as

$$n_F = n_0 \times (1 + CV_S^2)$$

where

$$n_F = \text{claims for full credibility,}$$

$$n_0 = 384.16,$$

and

$$CV_S = \text{coefficient of variation of the capped claim severity.}$$

Using all Personal Insurance normal loss claims data combined, the best estimate of CVS is 2.92. The resulting standard for full credibility is 3,659 claims.

To translate this into an exposure standard, we reviewed our countrywide claim frequency figures excluding catastrophic claims for Personal Insurance Dwelling Forms. For the last four years, they show:

2010 2.75 claims/100 house-years
2011 2.7 claims/100 house-years
2012 2.64 claims/100 house-years
2013 2.55 claims/100 house-years

selected normal loss frequency:
2.58 claims/100 house-years

Dividing the claims necessary for full credibility by the experience claim frequency produces the house-years full standard.

For convenience sake, a full credibility standard of 135000 house-years is used.

Liberty Mutual Insurance
Homeowners
Uncapped Loss Factors
All US States with \$250K Cap
Excluding Catastrophes Excluding Severe Storms
Data Evaluated as of: 06/30/2014

Dwellings

Experience Period	Uncapped Losses	\$250K Capped Losses	Uncapped Loss Factor
07/01/09 to 06/30/10	184,575,411	165,309,802	1.117
07/01/10 to 06/30/11	206,001,722	186,076,228	1.107
07/01/11 to 06/30/12	228,908,620	202,811,212	1.129
07/01/12 to 06/30/13	249,564,598	218,009,802	1.145
07/01/13 to 06/30/14	246,219,533	208,607,502	1.180

Liberty Mutual Insurance

Homeowners

Countrywide Profit Provision

As Liberty Mutual Insurance is organized under a mutual holding company system, our company has limited recourse to stock market capitalization to generate needed surplus funds, unlike a publicly-traded insurance company or an insurance company with a publicly-traded parent. Any increase in surplus must come from (1) underwriting profit, (2) investment income, (3) realized capital gains, or (4) unrealized capital gains. In the following analysis, Liberty Mutual selects provisions for underwriting profit which will ensure that anticipated income from all sources produces net income after taxes that is commensurate with the risk assumed in the business of property/casualty insurance. Furthermore, these provisions ensure that projected changes in policyholder surplus are sufficiently similar (in direction and magnitude) to changes in premium accounts so that confidence in the Companies' financial integrity can be maintained.

Exhibit A shows a history of calendar year rates of return for investment income expressed as a percentage of mean invested assets. The primary source is interest, dividends, and real estate income shown in column (3). Based on the current market yield, it is reasonable to anticipate before tax returns of 3.3% from interest, dividends, and real estate income during the time rates are effective. Historically, realized capital gains have contributed very little to earnings. For the prospective period, we select 0.3% from this source. In total, our anticipated pre-tax return is 3.6%. We believe this a reasonable return given the current interest rate environment. After federal income taxes, the total anticipated rate of return is 2.7% of invested assets.

Exhibit B presents the investment income derived from unearned premium reserves. The model uses historical information, modified for the current tax rate. This income is separated into two categories. First, there are premium finance charges [Line 10] collected by allowing policyholders to pay their premiums in installments over the 12-month policy term. Line 3 is the corresponding portion of the unearned premium reserve representing the premium which is being financed by the company. Second, there is the remaining reserve, after prepaid expense and taxes, [Line 7] which develops income based on the anticipated rate of return.

Exhibit C applies the rate of return to mean loss and loss adjustment expense reserves. These exhibits relate investment income to premium earned. Exhibit D provides pertinent expense data to calculate the Permissible Loss Ratio. Exhibit E deals with the calculation of federal income taxes applicable to unearned premium and loss reserves.

Income from all of the above sources is combined with our selected underwriting profit provisions in the following 1.25 to 1 premium-to-surplus model:

Let Premium = \$100; Surplus = \$80

Memo Exhibit

	<u>Homeowners</u>
1) Investment Income on Unearned Premium Reserves \$100 x (Exhibit B, Table 1, Item 12)	\$0.71
2) Investment Income on Loss Reserves \$100 x (Exhibit C, Table 1, Item 5)	\$0.62
3) Investment Income on Surplus \$80 x (Exhibit A, Table 1, Column 7)	\$2.16
4) Underwriting Income After Tax \$100 x (1-.35) x Profit Provision (Exhibit D, Item 5b + Item 6)	\$11.63
5) Total Expected Return [1]+[2]+[3]+[4]	\$15.12
6) Expected Return on Surplus ([5] x Premium:Surplus Ratio)/\$100	18.9%
7) GAAP Adjusted Return [6]/GAAP Adj. Factor (Exhibit F, Item 6)	15.0%

We have determined that, related to surplus, 15.0% is an appropriate and fair rate of return for property-casualty insurers in comparison with other industries, given the variability in the overall return. The pre-tax profit provision of 16.9% is derived using an iterative method to yield an anticipated return of 15.12% on earned premium after tax, and a 15.0% GAAP adjusted return on surplus. However, we have selected a lower target profit provision of 15.6% as a percentage of premium.

Exhibit A: Effective Rate of Return on Investable Assets

Table 1: Historical Investments Returns 1986-2013

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Calendar Year	Mean Invested Assets (a)	Net Investment Income (b)	Net Inv. Inc. % of (2)	Net Realized Capital Gains (c)	Net Realized Cap. Gains % of (2)	Total Return
1986	8,118,335,491	638,231,286	7.9	306,142,812	3.8	
1987	9,808,729,009	733,126,525	7.5	117,222,704	1.2	
1988	11,272,895,755	868,278,838	7.7	34,851,447	0.3	
1989	12,415,308,080	965,013,926	7.8	45,991,686	0.4	
1990	13,727,246,565	1,040,182,466	7.6	43,141,539	0.3	
1991	14,085,608,244	1,084,863,706	7.7	16,195,685	0.1	
1992	14,872,603,927	1,078,372,300	7.3	356,556,819	2.4	
1993	15,380,644,905	1,019,000,685	6.6	192,575,284	1.3	
1994	15,728,080,374	1,000,703,107	6.4	42,091,361	0.3	
1995	16,644,320,729	1,004,243,423	6.4	58,061,803	0.3	
1996	17,754,458,149	1,024,976,627	5.8	80,172,253	0.5	
1997	19,051,878,513	1,049,458,975	5.5	112,763,515	0.6	
1998	20,008,196,638	1,114,613,916	5.6	199,016,656	1.0	
1999	21,692,869,206	1,259,013,722	5.8	559,579,315	2.6	
2000	23,097,086,037	1,249,282,280	5.4	336,548,991	1.5	
2001	22,316,155,306	1,180,115,309	5.3	295,996,921	1.3	
2002	22,117,700,188	1,149,160,133	5.2	236,186,278	1.1	
2003	24,593,328,553	1,213,180,583	4.9	186,183,583	0.8	
2004	28,362,100,873	1,278,067,945	4.5	411,926,118	1.5	
2005	31,616,013,191	1,277,698,305	4.0	273,728,472	0.9	
2006	35,560,878,142	1,370,600,938	3.9	106,166,957	0.3	
2007	40,342,136,927	1,668,935,624	4.1	189,655,540	0.5	
2008	44,670,013,186	2,071,514,943	4.6	(48,560,181)	-0.1	
2009	47,693,589,467	1,792,955,767	3.8	(28,910,232)	-0.1	
2010	49,579,139,343	1,721,410,847	3.5	202,759,385	0.4	
2011	50,838,643,778	1,760,105,473	3.5	163,773,970	0.3	
2012	52,513,908,048	1,648,452,923	3.1	236,234,647	0.4	
2013	54,881,045,930	1,499,741,700	2.7	206,470,410	0.4	
Latest 10 Years	436,057,468,885	16,089,484,465	3.8	1,713,245,086	0.5	
Latest 5 Years	255,506,326,566	8,422,666,710	3.3	780,328,180	0.3	
Anticipated Returns (Before Tax)			3.3		0.3	3.6
2013 Federal Tax Rate (Exhibit A, Table 2)			0.2584		0.3500	
Anticipated Returns (After Tax)			2.5		0.2	2.7

(a) Mean of current and prior year Annual Statements: Page 2, Line 12 Less Page SI04, Column (2), Lines 12, 18 and 24.

(b) 2013 Annual Statement: Page 4, Line 9 less Page 12, Part 1, Column (2), Lines 1.3, 2.11, 2.21, and 8.

(c) 2013 Annual Statement: Page 4, Line 10.

Exhibit A: Effective Rate of Return on Investable Assets

Table 2: Effective Federal Tax Rate

	<u>Earned</u> <u>Income</u>		<u>Distribution</u>	Federal Tax <u>Rate</u>	
BONDS (Ex Tax Exempt)	\$1,089,277,238.03	(a)	0.726	0.3500	
BONDS (Tax Exempt)					
Acquired Before 8/7/86	\$450,434		0.000	0.0000	
Acquired After 8/7/86	\$424,514,954		0.283	0.0525	
STOCKS					
Acquired Before 8/7/86					
Non-Affiliated	\$499,200		0.000	0.1050	
Foreign	\$0		0.000	0.3500	
Total	<u>\$499,200</u>				
Acquired After 8/7/86					
Non-Affiliated	\$51,807,999		0.035	0.1418	
Foreign	\$8,790,267		0.006	0.3500	
Total	<u>\$60,598,266</u>				
All Other Investment Income (b)	(\$75,598,392)	(c)	-0.050	0.3500	
Net Investment Income Gain/(Loss)	\$1,499,741,700	(d)	1.000	0.2584	(e)

(a) 2013 Annual Statement: Page 12, Part 1, Column (2), Lines 1 + 1.2
(Excludes bonds of affiliates)

(b) Reduced by investment expenses and depreciation on real estate

(c) 2013 Annual Statement: Page 12, Part 1, Column (2), lines 3, 4, 6, 7, and 9 less line 16

(d) Exhibit A, Table 1, Column 3

(e) Weighted average rate using "Distribution" column

Exhibit B: Investment Income from Unearned Premium Reserves

Table 1: Investment Income from Unearned Premium Reserves as Factor of Earned Premium

	Homeowners
1) Earned Premium	\$100.00
2) Mean Unearned Premium Reserve Ratio of Mean Direct Unearned Premium Reserve to Direct Earned Premium x [1]	\$53.10
3) Mean Premium Subject to Installment Payment Finance Plan Ratio of Mean Premium Financed to Mean Direct Unearned Reserve x [2]	\$15.82
4) Funds Available for Prepaid Expense, Tax, and Investment [2] - [3]	\$37.28
5) Prepaid Expense Sum of Acquisition, Taxes, and One-Half General Expenses x (2)	\$13.97
6) Federal Tax - 1986 Reform Act Ratio of Tax Payable to Mean Net Unearned Premium Reserve x [2]	\$1.43
7) Funds Available for Investment Max([4] - [5] - [6], \$0)	\$21.88
8) Rate of Return, After Tax	2.7%
9) Income on Invested Reserve [7] x [8]	\$0.59
10) Income from Installment Payment Premium Finance Plan Ratio of Investment Income to Mean Premium Financed x (3)	\$0.12
11) Total Investment Income [9] + [10]	\$0.71
12) Investment Income as a Factor of Earned Premium [11] / [1]	0.0071

Notes

Lines [2], [3], and [10]: Exhibit B, Table 2, Columns [9], [10] and [6], 'Selected'

Line [5]: Exhibit D - Acquisition, 50% of General, and Taxes

Line [6]: Exhibit E, Section A, Line [5]

Line [8]: Exhibit A, Table 1

Exhibit B: Investment Income from Unearned Premium Reserves

Table 2: Investment Income from Installment Payment Premium Finance Plan (\$000)
(Homeowner's Insurance)

	[1] Premium Finance <u>Charges</u>	[2] Premium Charged-Off	[3]=[1]-[2] Net Investment <u>Income</u>	
Year				
2004	\$9,778	\$1,040	\$8,738	
2005	\$11,506	\$2,111	\$9,396	
2006	\$12,392	\$2,334	\$10,059	
2007	\$14,137	\$3,573	\$10,564	
2008	\$13,395	\$4,317	\$9,078	
2009	\$12,066	\$4,655	\$7,411	
2010	\$10,922	\$4,070	\$6,852	
2011	\$10,342	\$4,581	\$5,761	
2012	\$9,987	\$4,803	\$5,184	
2013	\$9,790	\$6,131	\$3,660	
	[4]=[3]*0.65 After-Tax Investment <u>Income</u>	[5] Mean Premium <u>Financed</u>	[6]=[4]/[5] Ratio of Investment Income to Mean <u>Premium Financed</u>	
Year				
2004	\$5,680	\$138,091	0.041	
2005	\$6,107	\$180,942	0.034	
2006	\$6,538	\$228,417	0.029	
2007	\$6,867	\$268,226	0.026	
2008	\$5,901	\$293,077	0.020	
2009	\$4,817	\$313,837	0.015	
2010	\$4,454	\$336,197	0.013	
2011	\$3,745	\$362,495	0.010	
2012	\$3,369	\$409,868	0.008	
2013	\$2,379	\$444,826	0.005	
Selected			0.008	
	[7] Direct Earned <u>Premium</u>	[8] Mean Direct Unearned <u>Premium Reserve</u>	[9]=[8]/[7] Unearned Premium to Earned Premium <u>Ratio</u>	[10]=[5]/[8] Premium Financed to Unearned Premium <u>Reserve Ratio</u>
Year				
2004	\$1,215,035	\$561,709	0.462	0.246
2005	\$1,372,622	\$733,956	0.535	0.247
2006	\$1,519,257	\$813,378	0.535	0.281
2007	\$1,699,204	\$899,330	0.529	0.298
2008	\$1,825,083	\$957,791	0.525	0.306
2009	\$1,935,763	\$1,028,410	0.531	0.305
2010	\$2,120,662	\$1,118,697	0.528	0.301
2011	\$2,285,239	\$1,213,556	0.531	0.299
2012	\$2,541,562	\$1,352,626	0.532	0.303
2013	\$2,883,119	\$1,526,556	0.529	0.291
Selected			0.531	0.298

Exhibit C: Investment Income from Loss Reserves

Table 1: Investment Income from Loss Reserves as a Factor of Premium

	<u>Homeowners</u>
1) Ratio of Loss & LAE Reserves to Incurred Loss & LAE	0.440
2) Ratio of Federal Tax Payable to Incurred Loss & LAE	-0.001
3) Permissible Loss & LAE Ratio	0.520
4) Net Effective Rate of Return After Tax	0.027
5) Investment Income as a Factor of Premium {[(1) - (2)] * (3) * (4)}	0.006

Notes

Line [1]: Exhibit C, Table 2, Column [9]

Line [2]: Exhibit E, Section B, Line [11]

Line [3]: Exhibit D

Line [4]: Exhibit A, Table 1

Exhibit C: Investment Income from Loss Reserves

Table 2: Ratio of Loss and LAE Reserves to Loss and LAE Incurred
Homeowners
(\$000)

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
<u>Year</u>	<u>Year-End Direct Loss Reserve</u>	<u>Prior Year Direct Loss Reserve</u>	<u>Mean Direct Loss Reserve</u>	<u>Year End Direct LAE Reserve</u>	<u>Prior Year Direct LAE Reserve</u>	<u>Mean Direct LAE Reserve</u>	<u>Direct Incurred Losses</u>	<u>Direct Incurred LAE</u>	<u>Ratio of Reserves to Incurred</u>
2004	367,575	201,479	284,527	82,857	36,122	59,490	790,683	155,126	0.364
2005	568,616	367,575	468,095	115,338	82,857	99,098	1,080,477	181,149	0.450
2006	498,140	568,616	533,378	110,387	115,338	112,863	779,062	141,784	0.702
2007	446,319	498,140	472,230	106,062	110,387	108,225	757,842	136,861	0.649
2008	560,636	446,319	503,478	107,054	106,062	106,558	1,209,511	161,740	0.445
2009	475,877	560,636	518,257	116,129	107,054	111,591	1,011,135	174,545	0.531
2010	571,906	475,877	523,891	121,935	116,129	119,032	1,232,504	177,916	0.456
2011	575,894	571,906	573,900	144,190	121,935	133,063	1,499,701	242,994	0.406
2012	654,510	575,894	615,202	140,912	144,190	142,551	1,496,063	229,397	0.439
2013	569,549	654,510	612,029	133,632	140,912	137,272	1,335,986	244,324	0.474
Selected									0.440

Exhibit D: Expense Ratios

	<u>Homeowners</u>
1) Acquisition	22.1%
2) General	3.2%
3) Taxes	2.6%
4) Reinsurance	2.2%
5a) Indicated Profit	16.9%
5b) Selected Profit	15.6%
6) Contingency	1.0%
7) Indicated Total	48.0%
8) Permissible Loss and LAE Ratio	52.0%

Notes

Data from 2013 Insurance Expense Exhibit (Direct)

Exhibit E: Federal Income Tax Payable Due to Tax Reform Act of 1986

A. Tax on Unearned Premium Reserves (\$000,000)

	<u>Homeowners</u>	
1) Net Unearned Premium Reserve 12/31/12	\$1,188	(a)
2) Net Unearned Premium Reserve 12/31/13	\$1,743	(a)
3) Mean Net Unearned Premium Reserve $\{[1] + [2]\} / 2$	\$1,466	
4) Federal Tax Payable on Change in Net Unearned Premium Reserve $\{[2]-[1]\} \times 20\% \times 0.35$	\$39	
5) Ratio of Tax Payable to Mean Net Unearned Premium Reserve $[4] / [3]$	0.027	
6) Selected	0.027	

(a) Insurance Expense Exhibit, Part II, Column 19

B. Loss & LAE Reserve Discounting (\$000,000)

	<u>Homeowners</u>	
1) Net Reserve at 12/31/12	\$577.98	(a)
2) Net Reserve at 12/31/13	\$694.27	(a)
3) Discounted Net Reserve at 12/31/12	\$551.93	(b)
4) Discounted Net Reserve at 12/31/13	\$671.42	(b)
5) Change in Net Reserve $[2]-[1]$	\$116.29	
6) Change in Discounted Net Reserve $[4]-[3]$	\$119.49	
7) Additional Taxable Income $[5]-[6]$	(\$3.19)	
8) Federal Tax Payable $[7] \times 0.35$	(\$1.12)	
9) 2013 Incurred Loss & LAE	\$1,645.94	(c)
10) Ratio of Federal Tax Payable to Incurred Loss & LAE $[8] / [9]$	-0.001	
11) Selected	-0.001	

(a) Insurance Expense Exhibit, Part II, Columns 13 + 15 + 17

(b) Discount ratios are provided internally by the Financial Department

(c) Insurance Expense Exhibit, Part II, Columns 7 + 9 + 11

Exhibit F: Expected Total Return - Adjustment to GAAP

Expected Total Return - Adjustment to GAAP

Amounts in Millions

Item	2011	2012	2013	Source
(1) Policyholders Surplus	15,701	16,521	17,508	Annual Statement: Page 3, Column (1), line 37
(2) Non-Admitted Assests	1,626	1,490	1,429	Annual Statement: Page 2, Column (2), line 26
(3) Equity in the UPR [= (h) calculated below]	2,574	2,888	3,017	calculated field
(4) Total Adjustments (2)+(3)	4,200	4,378	4,446	calculated field
(5) GAAP Surplus Adjustment Factor [(4)+(1)]/(1)	1.268	1.265	1.254	calculated field
(6) Selected GAAP Surplus Adjustment Factor		1.260		

Calculation of Equity in UPR

Item	2011	2012	2013	Source
(a) Commissions and Brokerage Expense Incd	2,452	2,624	2,795	IEE: Page 7, Part 3, Column (23), Totals
(b) Taxes, License & Fees	788	833	831	IEE: Page 7, Part 3, Column (25), Totals
(c) Other Acquisition Expenses Incd	2,178	2,495	2,496	IEE: Page 7, Part 3, Column (27), Totals
(d) General Expense Incd	2,101	2,531	2,809	IEE: Page 7, Part 3, Column (29), Totals
(e) Total of (a) + (b) + (c) + 0.5(d)	6,469	7,217	7,526	calculated field
(f) Written Premium	26,659	28,298	29,445	IEE: Page 6, Part 3, Column (1), Totals
(g) Ending UPR	10,609	11,323	11,802	IEE: Page 6, Part 3, Column (19), Totals
(h) Equity in UPR (g)*(e)/(f)	2,574	2,888	3,017	calculated field